

Decision No. 92978 APR 22 1981

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority, among other things, to implement a Conservation Financing Program and include a procedure for a Conservation Financing Adjustment of PGandE's electric and gas rates in its electric and gas tariffs to provide funds for Commission approved conservation financing programs.

Application No. 59537
(Filed March 25, 1980)

(Electric and Gas)

ORDER GRANTING LIMITED REHEARING AND MODIFYING DECISION No. 92653

Applications or petitions for rehearing or modification of Decision No. 92653 have been filed by Pacific Gas and Electric Company (PG&E), Toward Utility Rate Normalization (TURN), General Motors Corporation (GM), the Insulation Contractors Association (ICA) and jointly by The Mineral Insulation Manufacturers Association and Owens-Corning Fiberglas Corporation (MIMA). We have considered each and every allegation of error and request for modification or clarification in those petitions and are of the opinion that good cause has been shown for granting a limited rehearing of Decision No. 92653 and for modifying that decision in several respects to more clearly reflect our intentions with respect to the ZIP program. Therefore,

IT IS HEREBY ORDERED that,

1. Rehearing of Decision No. 92653 is granted limited to the receipt of evidence and argument on the issue of whether the ZIP program will have an anticompetitive effect on conventional lenders.

Said rehearing will be held together with the further hearings now scheduled in this proceeding.

2. Decision No. 92653 is modified to include the following amendments or clarifications:

(a) the sentence beginning in line 9 of page 75 (mimeo) is corrected to read as follows:

Administrative and general expense billed PG&E by PESC will be debited monthly, along with carrying costs before taxes, for the particular month.

(b) Ordering Paragraph 4 is revised to read as follows:

PG&E is authorized to use a balancing account and offset rate procedure for the recovery of ZIP program costs, including administrative costs. Administrative costs include the cost, if any, relating to any defaulted loans.

(c) references to "marginal cost" as a measure of cost effectiveness should be understood to mean the present worth of the stream of such costs saved as a result of the installation of the ZIP program measures.

(d) PG&E is mandated to use its best efforts to achieve at least an 80/20 ratio, debt to equity, in PESC. We recognize that the ratio achieved is not entirely within PG&E's control.

(e) PG&E may file both its first ZIP annual rate case and its RCS offset rate case as proposed in its application for rehearing. It was not our intention, when setting down the manner in which its initial applications could be filed, that PG&E would be required to embark on Phase II financing until it has received any rate relief found to be justified after consideration of those applications. Subsequent filings, however, will be the means by which PG&E will recover costs represented by the balances in the CFA account, as well as estimated expenditures for the program.

While we cannot commit ourselves to a date for approving the first annual applications, we will give those proceedings expeditious treatment.

(f) References to "mandatory feature" or "mandatory features" of the State RCS Plan are meant to require conformity with that plan as a whole, except as noted in (n) below.

(g) The language in Finding of Fact No. 39 and Ordering paragraph 1 r should not be interpreted to mean that PG&E may not review its own credit records in determining whether a customer qualifies for ZIP financing. We find merit in PG&E's proposal in this regard and find it reasonable.

(h) Under the audit requirements for vacation homes in Ordering paragraph 1 f, the auditor must calculate the cost effectiveness for all eleven ZIP measures.

(i) The additional financing of up to \$200 for improvements to the building envelope, provided in Ordering paragraph 1 m, should be interpreted broadly to include replacement or repairs which the auditor concludes are required to make other ZIP program measures cost effective. These could include replacing broken windows or doors or repairing holes which require more than mere caulking. The warranty requirements of Ordering paragraph 1 z do not apply to such repairs or replacements.

(j) Conservation improvements in common use areas of multi-family buildings were not considered in the Phase I hearings. This is an issue which should be pursued in the further hearings so that a plan for financing such improvements can be devised and ordered.

(k) The cost effectiveness of each item listed under Ordering paragraph 1.a(2), and not already installed, is to be calculated in the energy audit.

(l) The ZIP program does not anticipate or require that PG&E offer any warranty for the items installed under ZIP financing.

(m) The R-Value of insulation to be financed under the ZIP program shall be that level which is cost effective for the audited home as allowed by the CEC under the State RCS Plan.

(n) Where the warranties required by Decision No. 92653 exceed those required by the State RCS Plan, the former shall govern.

(o) The second paragraph on page 52 mimeo. shall be deleted in full and replaced with the following paragraphs:

The record does not support a conclusion that the additional limits on ZIP financing, recommended by the staff and PG&E, are necessary at this time to prevent an undue escalation of bids. The short-term price increase for insulation material in 1977, testified to by witness Calloway, appears to have been merely a swing in the market due to a temporary shortage of supply rather than being related to PG&E's 8% loan program. No such shortage is expected now.

Therefore we are not now going to require multiple bidding as a prerequisite to ZIP financing nor any low-bid rule as a financing ceiling. However, we will provide that PG&E shall require an additional bid on any item when it considers the bid or bids already made to be excessive. We will also require PG&E to monitor bid prices carefully to see whether any further limiting conditions on ZIP financing need be imposed.

(p) The word "third" in the first line of the last paragraph on page 52 mimeo. is changed to read "second".

(q) Finding of fact 53 is modified to read in full as follows:

The record does not support a finding that the ZIP program will cause an undue escalation in bids for weatherization work. However, inasmuch as any such escalation could impinge on the cost effectiveness of that program, it is reasonable to order PG&E to monitor bid prices and to require that an additional bid be obtained by a customer when a bid is not within the reasonable range known to PG&E at the time.

(r) Ordering paragraph 1 C.(2) is hereby deleted in full.

(s) Ordering paragraph 1 dd. is hereby added to read as follows:

PG&E shall monitor bid prices and shall require that an additional bid be obtained by the customer when a bid is deemed to be excessive in the light of the range of bids for the work known to PG&E at the time. PG&E's ZIP loan application shall include a notice to the effect that, inasmuch as the applicant must repay the loan amount in full, he is advised to obtain more than one bid and that PG&E has the right to require an additional bid before approving the loan.

3. Except as granted and provided herein, rehearing and modification of Decision No. 92653 is denied.

The effective date of this order is the date hereof.

Dated April 22, 1981, at San Francisco, California.

John E. Guyon
President
Richard D. Broock
Thomas J. Quinn
Victor Calvo

Commissioners

Commissioner Priscilla C. Grew,
being necessarily absent, did not
participate in the disposition
of this proceeding.